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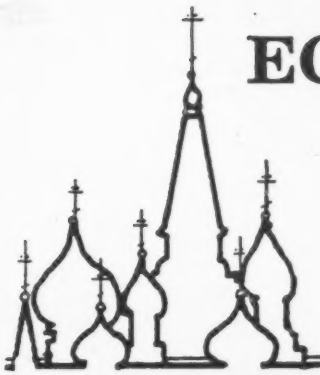

ECONOMIC NEWSLETTER

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INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST EIGHT MONTHS OF 1988

Product	Jan-Aug 1988	Jan-Aug 1988 as a % of Jan-Aug 1987
Electricity (billion kw hrs)	1117	103%
Petroleum (million tons)	417	100.5
Natural Gas (billion meters^3)	504	106
Coal (million tons)	518	102
Steel (million tons)	109	101
Fertilizer (million tons)	24.9	103
Metal-cutting tools (thousand units)	14.7	104
Robots	*	*
Computer tech. (billion rubles)	4.1	114
Tractors (million hp)	34.5	100.8
Paper (million tons)	4.2	102
Cement (million tons)	93.1	102
Meat (million tons)	7.4	104
Margarine (thousand tons)	996	103
Watches (million units)	48.9	106
Radios (million units)	5.3	99
TV sets (million units)	6.3	109
Automobiles (thousand units)	863	98

* not published

LIVESTOCK HERDS

Herd	1986	1987	1988	%Change 86-87	%Change 87-88
Cattle	97.9	97.	95.9	99%	98.8%
Cows	29.2	28.9	28.7	99%	99.3%
Hogs	63.1	60.6	60.5	96%	99.8%
Sheep & Goats	132.3	131.7	133.1	99.5%	101.%
Poultry	794.7	807.7	811.2	101.6%	100.4%

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST EIGHT MONTHS OF 1988

The production figures for the first 8 months of 1988 reflect no new trends from those reported last month. For the most part, output continued to increase, although at a modest rate. The Soviets report officially that for the whole 8 months, industrial output rose by 4.3%. They reported an even higher increase in the month of August, a somewhat larger figure than might be expected, based on the sample of individual industries that we have. For example, electricity production rose by only 3% for the month of August. This is about the same increase as in output for the entire period. The increase in gas output was about 5%, but this was offset by the fact that steel production for the month of August was about the same as it was in August of 1987. At the same time, oil output seems to have dropped for the month of August by about 2%, although for the year as a whole, there is an increase in output of about 2 million tons. Meat output shows a 4% increase for the whole 8 month period, although the Soviets themselves report that the output of certain types of meat was lower in the first 8 months of 1988, particularly for such things as sausages and meat cutlets.

We know from official reports that meat sales in

many parts of the Soviet Union are lower this year than last year. This may be a consequence of the fact that the size of the herds, particularly of cattle and hogs, continues to decline. The drop in herd size has continued almost unabated for the last two years. There does appear to be some increase in the number of sheep and goats, and as before, the number of chickens has increased, although one finds relatively few chickens for sale in Soviet shops. The task that Yegor Ligachev, who has just been made responsible for agriculture in the Central Committee, has before him is a daunting one.

SOVIET BALANCE OF TRADE FOR THE FIRST HALF OF 1988

Based on the figures for the first half of the year, it looks like the Soviets have become more active in the foreign trade sector. Exports to hard currency countries rose approximately 600 million rubles. Imports rose even more. Imports from Western Europe and Japan rose approximately 700 million rubles. Because of a very large jump in imports from the United States (probably largely due to grain) total imports from the hard currency bloc rose by over 1.2 billion rubles. This is a significant expansion and has resulted in a sharp increase in the trade deficit. The trade deficit totals over 1.6 billion rubles, a jump of approximately 700 million rubles from 1987. If Finland is included in the calculations, the trade deficit has increased by another 800 million rubles.

The United States is the largest beneficiary of the increase in purchases. Imports from the United States rose by 700 million rubles. West Germany is next with an increase in sales to the Soviet Union of approximately 300 million rubles, and the Japanese follow with an increase of 200 million rubles. Imports from France and Italy dropped, from France by almost 100 million rubles.

Russians working with American businessmen indicate that sales, particularly for long-established firms with offices in the Soviet Union, have been growing rapidly, in some cases doubling last year's volume. It should be remembered, however, that total volume was low to begin with, so that the impact of overall sales is still rather minor. It does certainly reflect an increased interest. This expansion is represented in the 700 million rubleincrease in imports from the U.S. reflected in the new balance of trade figures.

CORPORATE SPONSOR SEMINARS

We are in the process of completing programs for two additional Corporate Sponsor Seminars for the 1988-89 year.

Our next conference will be held on November 28, 1988 and will focus on the implications of a new American administration for Gorbachev and his program of economic restructuring. Panel topics include "Issues Which Divide Soviet Society," "American Arms Control After Reagan," Perestroika: What Remains to be Done?" and "Remaking the Soviet Political System." This will be our annual orientation for journalists who wish to learn more about the Soviet Union. Our program will be expanded beyond the day-long format to include an evening session with journalists returning from assignments in the USSR. This conference is sponsored jointly by the Russian Research Center and the Nieman Foundation of Harvard University and the Joan Shorenstein Barone Center on Press, Politics and Public Policy of the JFK School of Government. A preliminary program and application form are enclosed.

Our third conference of the series will examine the current situation in Soviet agriculture -- the recent reforms introduced, Ligachev's efforts as the Central Committee member responsible for the agriculture portfolio, and the implications of Soviet performance in agriculture for economic and political reform in the Soviet Union. The date will be February 13, 1989 and we hope to have a preliminary program ready for the December issue of the Economic Newsletter.

ARDEN HOUSE 1989

Be sure to note the dates for the 1989 Arden House Conference on American-Soviet Relations: March 31-April 2. A complete program will appear in the January issue of this newsletter.

Opinions and ideas expressed in the RRC Economic Newsletter are those of the author and not the Russian Research Center or Harvard University unless specifically stated as such.

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USSR Foreign Exchange Quotations

Currency	13 July	20 July	27 July	3 Aug	10 Aug	14 Sept
£100 Sterling	106.01	105.07	108.17	107.56	106.80	106.05
100 Aust. sch.	4.82	4.77	4.81	4.77	4.73	4.80
$100 US	62.39	63.10	62.06	62.81	63.21	62.58
100 Fr. Francs	10.07	9.96	10.02	9.93	9.87	9.94
1,000¥ Japanese	4.68	4.67	4.73	4.72	4.72	4.69
10,000 Italian Lire	4.58	4.53	4.57	4.54	4.51	4.52
100 Swiss Francs	40.78	40.45	40.66	40.13	39.87	40.06
100 Deutsche Marks	33.89	33.55	33.82	33.41	33.25	33.81